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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

DOCKETED

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MARC SPITZER, Chairman
JIM IRVIN
WILLIAM A. MUNDELL
JEFF HATCH-MILLER
MIKE GLEASON

FEB -7 2003

AZ CORP COMMISSION
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CA

IN THE MATTER OF THE APPLICATION OF
THE ARIZONA ELECTRIC DIVISION OF
CITIZENS COMMUNICATIONS COMPANY TO
CHANGE THE CURRENT PURCHASED POWER
AND FUEL ADJUSTMENT CLAUSE RATE, TO
ESTABLISH A NEW PURCHASED POWER AND
FUEL ADJUSTMENT CLAUSE BANK, AND TO
REQUEST APPROVED GUIDELINES FOR THE
RECOVERY OF COSTS INCURRED IN
CONNECTION WITH ENERGY RISK
MANAGEMENT INITIATIVES.

DOCKET NO. E-01032C-00-0751

IN THE MATTER OF THE APPLICATION OF
CITIZENS COMMUNICATIONS COMPANY,
ARIZONA GAS DIVISION, FOR A HEARING TO
DETERMINE THE FAIR VALUE OF ITS
PROPERTIES FOR RATEMAKING PURPOSES,
TO FIX A JUST AND REASONABLE RATE OF
RETURN THEREON, AND TO APPROVE RATE
SCHEDULES DESIGNED TO PROVIDE SUCH
RATE OF RETURN.

DOCKET NO. G-01032C^A-02-0598

IN THE MATTER OF THE JOINT APPLICATION
OF CITIZENS COMMUNICATIONS COMPANY
AND UNISOURCE ENERGY CORPORATION
FOR THE APPROVAL OF THE SALE OF
CERTAIN ELECTRIC UTILITY AND GAS
UTILITY ASSETS IN ARIZONA, THE
TRANSFER OF CERTAIN CERTIFICATES OF
CONVENIENCE AND NECESSITY FROM
CITIZENS COMMUNICATIONS COMPANY TO
UNISOURCE ENERGY CORPORATION, THE
APPROVAL OF THE FINANCING FOR THE
TRANSACTIONS AND OTHER RELATED
MATTERS.

DOCKET NO. E-01933A-02-0914
DOCKET NO. E-01032C-02-0914
DOCKET NO. G-01032C^A-02-0914

PROCEDURAL ORDER

BY THE COMMISSION:

A Procedural Conference was conducted on January 17, 2003 in the above-captioned consolidated dockets. Several issues were discussed at the Procedural Conference, including pending requests for intervention, proposed procedural dates, and other related matters. The above-captioned

1 dockets were formally consolidated with the understanding and agreement by the Joint Applicants¹
2 that any time clock deadlines affecting the individual cases shall remain suspended until further
3 Order of the Commission (See Procedural Orders issued December 3, 2002 in Docket Nos. E-
4 01032C-00-0751 and G-01032C-02-0598).

5 At the January 17, 2003 Procedural Conference, a discussion was conducted regarding the
6 Joint Applicants' proposed procedural schedule. Under their proposal, the Joint Applicants would
7 file a proposed settlement agreement by January 31, 2003 and a final settlement agreement by April
8 1, 2003; an evidentiary hearing would start on April 15, 2003; simultaneous closing briefs would be
9 filed on May 1, 2003; a Recommended Opinion and Order would be issued by June 2, 2003; and a
10 Special Open Meeting would be held on June 16, 2003. The Joint Applicants stated that their
11 proposed procedural schedule was determined by their desire to close the asset purchase agreements
12 negotiated between UniSource and Citizens by July 28, 2003.

13 In order to accommodate the need for all parties to be afforded due process in this
14 consolidated proceeding, the following procedural schedule will be established:

15 April 1, 2003 – Filing of Final Settlement Agreement

16 April 21, 2003 – Filing of Intervenor and Staff Testimony

17 April 28, 2003 – Filing of Joint Applicant Rebuttal Testimony

18 May 1, 2003 – Evidentiary Hearing Begins

19 May 15, 2003 – Filing of Simultaneous Closing Briefs

20 At the Procedural Conference, the City of Nogales was granted intervention in this proceeding
21 without objection. In addition, the Administrative Law Judge ruled that any party that had previously
22 been granted intervention in any of the three individual dockets would automatically be granted
23 intervention in the consolidated docket without further motion. All parties should update their service
24 lists in accordance with the list attached to this Procedural Order. Any changes or corrections to the
25 attached service list should be submitted in the consolidated docket and served on all parties.

26 Another issue raised at the January 17, 2003 Procedural Conference was a request for
27

28 ¹ The "Joint Applicants" are UniSource Energy Corporation, on behalf of itself, Tucson Electric Power Company, and
UniSource's designated affiliates (collectively "UniSource"), and Citizens Communications Company ("Citizens").

1 intervention filed on January 16, 2003 by Southwest Gas Corporation ("Southwest") in the Citizens
2 gas rate case (02-0598) and the UniSource/Citizens asset sale docket (02-0914). Based on its
3 intervention request pleading, Southwest indicates that its interest in this proceeding is related to its
4 pending application regarding the acquisition of Black Mountain Gas Company (Docket No. G-
5 1551A-02-0425). Southwest claims that it may be affected by any policies or precedent established
6 by the Commission with respect to the UniSource/Citizens asset sale.

7 On January 22, 2003, the Joint Applicants filed a Response opposing Southwest's intervention
8 request. The Joint Applicants argue that Southwest has not stated a direct and substantial interest in
9 this proceeding and Southwest's participation could unduly broaden the issues and lead to delays.

10 On January 27, 2003, Southwest filed a Reply to the Joint Applicants' Response. Southwest
11 claims that its interest in this case is to have an opportunity for input regarding issues that, as a
12 practical matter, may result in the formulation or modification of policies and precedent regarding the
13 acquisition and sale of utility assets, such as ratemaking treatment.

14 Although Southwest may be interested in the UniSource/Citizens acquisition application, its
15 interest in this proceeding is, at best, indirect. It is, therefore, not appropriate for Southwest to be
16 afforded full intervention rights. However, Southwest will be added to the service list in this
17 proceeding so that it can monitor the progress of the case through filings made by all parties.
18 Southwest may also file an *amicus curiae* brief in accordance with the schedule established above.
19 Filing of an *amicus* brief will allow Southwest the opportunity to convey to the Commission any
20 policy concerns it may have with respect to the outcome of this case.

21 IT IS THEREFORE ORDERED that a hearing is scheduled in this matter to commence on
22 May 1, 2003, at 10:00 a.m., at the offices of the Commission.

23 IT IS FURTHER ORDERED that the procedural timelines set forth above shall be observed
24 by all parties.

25 IT IS FURTHER ORDERED that Applicant shall publish notice of this proceeding in the
26 following form and style:

**PUBLIC NOTICE OF APPLICATION BY CITIZENS
COMMUNICATIONS COMPANY, ARIZONA ELECTRIC
DIVISION, AND ARIZONA GAS DIVISION AND UNISOURCE ENERGY
CORPORATION FOR APPROVAL OF RATES, PPFAC AND FINANCE
DOCKET NOS. E-01032C-00-0751, G-01032C-02-0598, E-01933A-
02-0914, E-01032C-02-0914 AND G-01032C-02-0914**

On December 18, 2002, UniSource Energy Corporation and its subsidiary Tucson Electric Power Company (jointly "UniSource"), and Citizens Communications Company ("Citizens") filed with the Arizona Corporation Commission ("Commission") a Joint Application for approval of sale of the assets of Citizens' Arizona Electric and Gas Divisions to UniSource, and other related matters (Docket Nos. E-01933A-02-0914, E-01032C-02-0914, and G-01032C-02-0914). By Procedural Order issued January 8, 2003, the Commission consolidated the UniSource/Citizens Joint Application with two previously filed Applications regarding the purchased power and fuel adjustment clause rate of Citizens' Electric Division (Docket No. E-01032C-00-0751) and the Citizens Gas Division's request for an increase in rates (Docket No. G-01032C-02-0598). The Commission has scheduled a hearing in these consolidated Dockets on May 1, 2003 at 10:00 a.m., at the offices of the Commission, 1200 West Washington, Phoenix, Arizona. Public comment sessions will be scheduled at a later date and will be conducted in various locations within the Applicants' service territories.

The Applications are available for inspection during regular business hours at the offices of the Commission in Phoenix, at 1200 West Washington Street, Phoenix, Arizona, and at the Applicants' offices, [insert applicants' addresses].

As a customer you may have the right to intervene in the proceeding and request a hearing. If you do not want to intervene, you may make oral or written comments by contacting the Commission at the above addresses. Intervention shall be permitted to any person entitled by law to intervene and having a direct and substantial interest in the matter. Persons desiring to intervene must file a written notice to intervene with the Commission, which motion should be sent to the Applicant or their counsel and to all parties of record, and which, at the minimum, shall contain the following:

1. The name, address, and telephone number of the proposed intervenor and of any party upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding (e.g., a customer of the Applicants, a shareholder or member of the Applicants, etc.)
3. A statement certifying that a copy of the motion to intervene has been mailed to the Company or its counsel and to all parties of record in the case.

The granting of motions to intervene shall be governed by A.A.C. R14-3-105, except that all motions to intervene must be filed on or before April 1, 2003. Failure to intervene will not preclude any customer from making a statement on such customer's own behalf. However, you will not receive any further notice of the proceeding unless requested by you.

1 If you have any questions or concerns about this application or have any
2 objections to its approval, or wish to make a statement in support of it, you may write
3 the Consumer Services Section of the Commission at 1200 West Washington Street,
4 Phoenix, Arizona 85007 or call 1-800-222-7000 or appear at the hearing and make
5 comment.

6 The Commission does not discriminate on the basis of disability in admission to
7 its public meetings. Persons with a disability may request a reasonable accommodation
8 such as a sign language interpreter, as well as request this document in an alternative
9 format, by contacting Shelly M. Hood, ADA Coordinator, voice phone number
10 602/542-3931, E-mail *shood@cc.state.az.us*. Requests should be made as early as
11 possible to allow time to arrange the accommodation.

12 IT IS FURTHER ORDERED that Applicant shall publish a copy of this notice by publication
13 in a newspaper(s) of general circulation in every county in Arizona in which Unisource/Citizens
14 provides or is certificated to provide service, on or before March 10, 2003.

15 IT IS FURTHER ORDERED that Citizens shall mail this notice to its customers, with such
16 mailing to be completed by March 10, 2003.

17 IT IS FURTHER ORDERED that Applicant shall file certifications of mailing and Affidavits
18 of Publication with the Commission on or before April 1, 2003.

19 IT IS FURTHER ORDERED that notice shall be deemed complete upon publication/mailling
20 notwithstanding the failure of an individual customer to read or receive the notice.

21 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 – Unauthorized
22 Communications) applies to this proceeding as the matter is now set for public hearing.

23 IT IS FURTHER ORDERED that the Presiding Officer may rescind, alter, amend or waive
24 any portion of this Procedural Order by subsequent Procedural Order or by ruling at hearing.

25 DATED this 7th day of February, 2003.

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DWIGHT D. NODES
ASSISTANT CHIEF ADMINISTRATIVE LAW JUDGE

Copies of the foregoing delivered/mailed
This 7th day of February, 2003 to:

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By:


Debbi Person
Secretary to Dwight D. Nodes